

## **DEMOGRAPHIC/ECONOMIC SUMMARY OF THE CITY**

Houston, Texas is a diverse, dynamic and growing metropolitan area with notable aspirations, unlimited potential and a commitment to achieving a better quality of life for all its citizens. The Primary Metropolitan Statistical Area (PMSA) composed of Chambers, Ft. Bend, Harris, Liberty, Montgomery, and Waller counties, ranks fourth largest in the United States. With 6,304 square miles and an estimated population of 4.0 million, this metropolitan area offers a combination of multicultural urban, rural, and suburban communities.

Though it has long been recognized as a world energy capital, Houston continues to modify and expand in the areas of international business, information system technology, and service related industries to broaden previous diversification efforts brought about by the oil recession of the late 1980s. The subsequent consolidation of the energy industry has concentrated headquarter activities and energy technology in Houston. This activity in conjunction with over 3,500 businesses located downtown and the expansion of other business districts including the Ship Channel, the Uptown/Galleria area, Greenway Plaza, and the Interstate 10's Energy Corridor create a thriving business community. In addition, the Johnson Space Center, providing astronaut training and Space Shuttle and Station development, and the Texas Medical Center (TMC), recognized as one of the preeminent medical facilities in the country, continue to be cornerstones of the Houston area.

To accommodate continued growth, the City and other local agencies are focused on infrastructure development to address capacity as well as general mobility issues. Currently, the Houston Airport System (HAS), serving over 38 million passengers and processing over 300 thousand tons of cargo annually, forms one of North America's largest public airport systems. Similarly, the Port of Houston maintains its position as a world-class port, ranking first in the United States in foreign waterborne commerce, second in total tonnage, and eighth in the world. Continued development of both strategic gateways enhances the City's international competitive edge as a world trade center.

The Houston area region has 41 colleges and universities. The Houston Independent School District is the seventh largest in the U. S., with an enrollment of over 200 thousand in nearly 300 schools of which 110 are "magnet" schools offering specialized programs. There are a total of 23 school districts partly or entirely in Harris County. Approximately 25,000 students are in accredited non-public schools.

With over one million daily commuters, mobility is of equal concern for the Houston area. Efforts are underway to encourage development and the use of alternative modes of transportation to ease congestion and positively affect air quality of the area. In the same way, METRO's development of the Downtown-to-Astrodome Corridor, a 7.4 mile light rail system running between Downtown, the TMC, entertainment and sports facilities, parks and museums, educational institutions, and various residential areas, ties with the ongoing revitalization efforts and will eliminate many diesel-powered buses as well as reduce the number of automobiles in the area. Other infrastructure projects planned for downtown include a new 1200 room Convention Center Hotel, featuring 70,000 square feet of meeting space and two ballrooms and the George R. Brown Convention Center (GRBCC) expansion. The GRBCC, which already provides close to 500,000 square feet of space, will be adding an additional 45,000 square feet of registration space, 420,000 square feet of exhibit hall space, and 78,000 square feet of meeting rooms in an effort to attract larger, more lucrative conventions to the Houston area. Upon completion, the larger GRBCC will enable Houston to more aggressively compete for America's biggest and best conventions.

In all, there are many new projects, innovations, and renovations taking place in downtown Houston. According to the Metropolitan Transit Authority, none are more exciting than the state-of-the art Light Rail System that it developed. Due to board its first passengers in 2004, METRO's Downtown-to-Astrodome light rail line will follow the Main Street Corridor, linking Downtown, Midtown, the Museum District, Hermann Park, the Texas Medical Center and the Astrodome. This corridor can also serve as the foundation for the future light rail or corridor extensions, if voters want them.

The train will stop at 16 stations, including Downtown, and the Texas Medical Center Transit Centers. Passengers may transfer to and from METRO buses and make connections to the University of Houston Downtown, two Houston College Campuses, Rice University, the Houston Zoo, Market Square, Astros Field, Reliant Stadium and the Exposition Center, and many other popular destinations.

Throughout this continued expansion, Houston has made considerable efforts to revitalize its inner city. With a resurgence of residential projects including urban housing such as the San Jacinto and Hermann Lofts and The Rice, to surrounding area efforts to enhance affordable housing opportunities, as well as restaurant, entertainment and sport venue development, Houston remains committed to promoting growth while enhancing quality of life. With the unprecedented growth and renewal underway, there remains the need for city services such as fire protection, etc. Currently, there are 87 fire stations in the City of Houston. Also, recent development incorporates a community atmosphere in an effort to foster a neighborhood way of life in the inner city. Projects such as Cotswold 2000, the Hobby Center for Performing Arts and Bayou Place provide entertainment and retail opportunities with a comfortable ambiance for city dwellers and downtown visitors alike. Similarly, Astros' Field, the Houston Astros' new home, further promotes the downtown appeal. Other Houston sports include the two-time National Basketball Association (NBA) world-champion Houston Rockets, four-time Women National Basketball Association (WNBA) world-champion Houston Comets, Houston Aeros, Houston Thunderbears, and Hurricanes. Professional football will soon be returning to Houston with the National Football League's (NFL) award of its 32nd franchise. The Houston Texans will play its first season in 2002, in the new 69,500-seat Reliant Stadium.

Despite all the initiatives currently underway, Houston has not forgotten its civic and cultural arts. With the nation's fifth largest ballet and opera companies, world-traveling symphony orchestra and multiple theater companies, Houston is one of the few U.S. cities performing year-round. In addition, the theater district offers Houstonians the Houston Broadway Series performing shows direct from Broadway and London and is the largest non-profit producer of musical theater in America. Likewise, the museum district includes the Museum of Fine Arts, the sixth largest museum in the country with the opening of the Beck Building; the Contemporary Arts Museum; the C.G. Jung Education Center; the Children's Arts Museum; the Museum of Health and Medical Science; the Houston Zoo and the Museum of Natural Science, one of the most respected museums in the country. As a result, Houston is not only developing its economic base and revitalizing its inner city but does its utmost for the promotion and betterment of intellectual and cultural opportunities afforded to its citizens.

**EXHIBIT 1  
HOUSTON PMSA AT A GLANCE**

<u>POPULATION</u>			<u>NEW REAL ESTATE SUPPLY - RESIDENTIAL</u> <u>(Units)</u>	
1992	3,386,700		1992	22,311
1993	3,421,900		1993	22,871
1994	3,473,300		1994	30,257
1995	3,540,800		1995	28,115
1996	3,622,900		1996	30,431
1997	3,727,300		1997	41,546
1998	3,844,900		1998	56,307
1999	3,931,814		1999	42,582
2000	4,030,500		2000	37,655
2001	4,279,068		2001	39,222 **

<u>NON-AGRICULTURAL WAGE &amp; SALARY EMPLOYMENT *</u>			<u>RESIDENTIAL VACANCY RATE</u>	
1992	1,637,300		1992	10.4 %
1993	1,664,700		1993	10.5
1994	1,710,300		1994	10.5
1995	1,766,400		1995	10.4
1996	1,813,700		1996	9.9
1997	1,894,400		1997	8.9
1998	1,992,500		1998	7.9
1999	2,029,100		1999	8.0
2000	2,080,500		2000	8.1
2001	2,118,200 **		2001	7.5 **

<u>PERSONAL INCOME (Per Capita)</u>			<u>UNEMPLOYMENT RATE (*)</u>	
1992	22,771		1992	7.1 %
1993	23,499		1993	7.3
1994	24,221		1994	6.5
1995	25,687		1995	5.7
1996	27,161		1996	5.2
1997	29,393		1997	5.0
1998	31,470		1998	4.1
1999	32,386		1999	4.5
2000	34,477		2000	4.1
2001	33,919 **		2001	4.2 **

<u>HOUSTON CONSUMER PRICE INDEX</u> <u>ALL URBAN (1982-84 = 100)</u>			<u>TOP TEN PROPERTY TAXPAYERS IN 2000</u> <u>(Amounts Expressed in Millions)</u>	
	Average Index	% Change		Taxable Value
1992	129.2	3.1 %	Reliant Energy HL&P	\$1,433
1993	133.8	3.5	Hines Interests LTD	939
1994	137.9	3.1	Crescent Real Estate Equ.	828
1995	140.0	1.5	Southwestern Bell	987
1996	142.8	2.0	Continental Airlines	646
1997	145.5	1.8	Exxon Corporation	445
1998	146.8	0.9	Anheuser Busch, Inc.	411
1999	148.9	1.5	Trizechahn Allen Ctr. LP	409
2000	154.5	3.7	Weingarten Realty	263
2001	158.8	2.8 **	Lyondell-Citgo Refining Co.	232

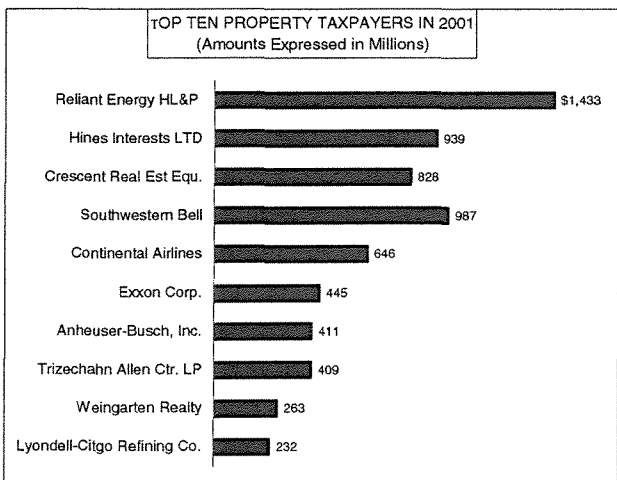
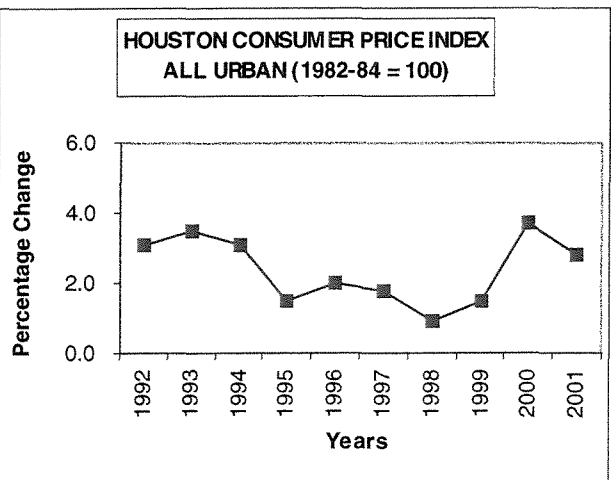
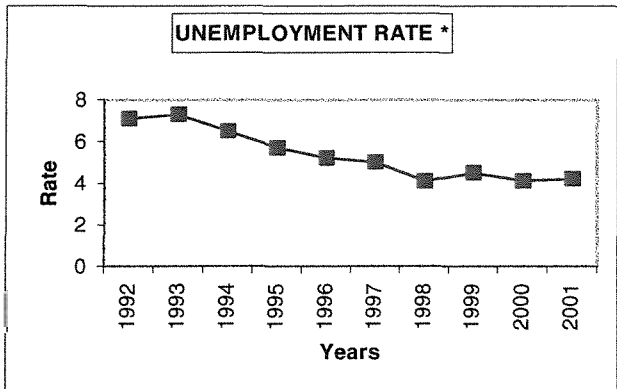
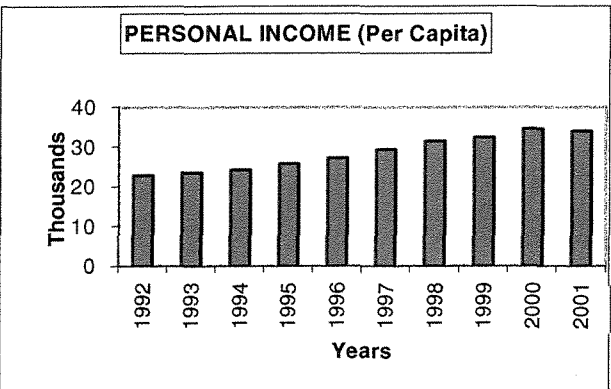
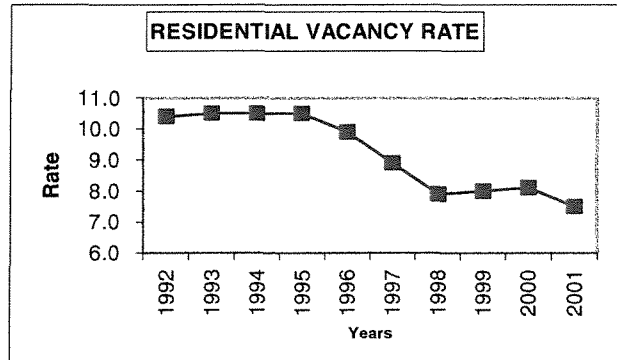
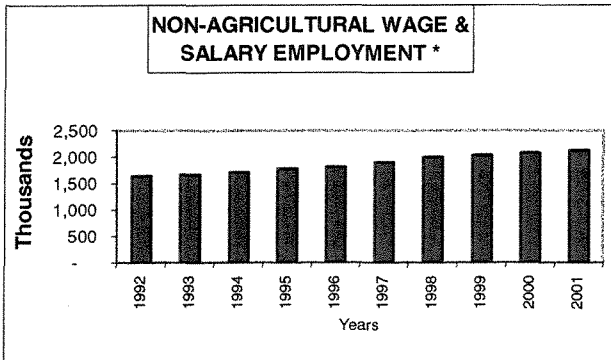
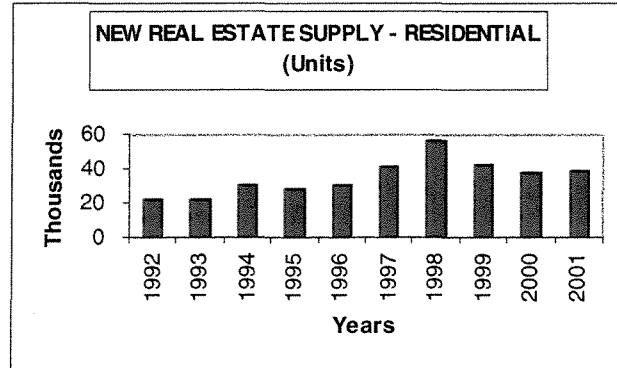
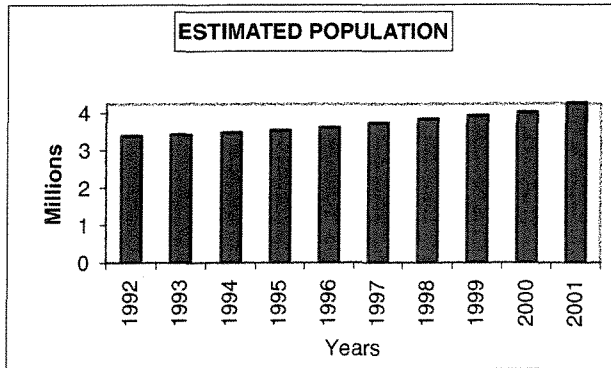
PMSA: Primary Metropolitan Statistical Area

\* Not Seasonally Adjusted

\*\* As of December 2001

Source: University of Houston, Center for Public Policy (as of March, 2002 except as otherwise noted).

EXHIBIT 2  
HOUSTON PMSA AT A GLANCE



\*Not Seasonably Adjusted

## ECONOMIC OUTLOOK

**ECONOMIC INDICATORS**

According to the Greater Houston Partnership's analysis of major trends, the primary external factors impacting the local economy are the national economy, energy prices and the value of the dollar. The first two were strong enough during 1994-1997 to overcome the dollar's appreciation, yielding very rapid growth here in 1997 and 1998. In 1998 and 1999, Houston's housing market and new motor vehicle market both experienced new highs. This growth continued through 2000 and 2001, where fourth quarter sales of new homes for 2001 were up 12% from fourth quarter 2000 data.

Before September 11<sup>th</sup>, Houston's economy was slowing down, and the national economy was in a recession. The terrorist attacks introduced new uncertainties into the economy. A strong and early rebound in the national economy could encourage greater regional growth. Conversely, another attack could abruptly constrict both business investment and consumer spending. According to the Greater Houston Partnership, the economic forecast for the future is a return to solid growth sooner rather than later. Additionally, sectors of Houston's economy that seem likely to lose jobs in 2002 will flourish in later years.

The following table shows actual and projected economic indicators for the Houston PMSA (Primary Metropolitan Statistical Area).

<b>ECONOMIC INDICATORS FIVE - YEAR FORECAST</b>						
	<b>2001 *</b>	<b>2002 *</b>	<b>2003 *</b>	<b>2004 *</b>	<b>2005 *</b>	<b>2006 *</b>
<b>Population</b>	<b>4,279,068</b> 2.43%	<b>4,357,955</b> 1.84%	<b>4,453,290</b> 2.19%	<b>4,564,045</b> 2.49%	<b>4,717,124</b> 3.35%	<b>4,879,769</b> 3.45%
<b>Per Capita Income</b>	<b>\$ 33,919</b> 4.13%	<b>\$ 35,123</b> 3.55%	<b>\$ 36,572</b> 4.13%	<b>\$ 38,699</b> 5.82%	<b>\$ 40,975</b> 5.88%	<b>\$ 42,860</b> 4.60%
<b>Retail Sales (Millions)</b>	<b>\$ 59,062</b> 4.37%	<b>\$ 62,035</b> 5.03%	<b>\$ 66,310</b> 6.89%	<b>\$ 71,716</b> 8.15%	<b>\$ 77,892</b> 8.61%	<b>\$ 83,955</b> 7.78%
<b>Total Non-agricultural Employment</b>	<b>2,132,146</b> 2.43%	<b>2,160,979</b> 1.35%	<b>2,219,518</b> 2.71%	<b>2,302,569</b> 3.74%	<b>2,390,837</b> 3.83%	<b>2,471,120</b> 3.36%
<b>Construction</b>	<b>161,050</b> 4.44%	<b>159,297</b> -1.09%	<b>155,948</b> -2.10%	<b>154,671</b> -0.82%	<b>158,919</b> 2.75%	<b>163,902</b> 3.14%
<b>Trade</b>	<b>480,936</b> 1.57%	<b>483,615</b> 0.56%	<b>493,983</b> 2.14%	<b>507,172</b> 2.67%	<b>524,133</b> 3.34%	<b>542,922</b> 3.58%
<b>Services</b>	<b>664,915</b> 2.91%	<b>681,008</b> 2.42%	<b>714,322</b> 4.89%	<b>758,336</b> 6.16%	<b>800,484</b> 5.56%	<b>837,016</b> 4.56%
<b>Other Sectors</b>	<b>825,245</b> 3.01%	<b>837,059</b> 1.43%	<b>855,265</b> 2.17%	<b>882,390</b> 3.17%	<b>907,301</b> 2.82%	<b>927,280</b> 2.20%

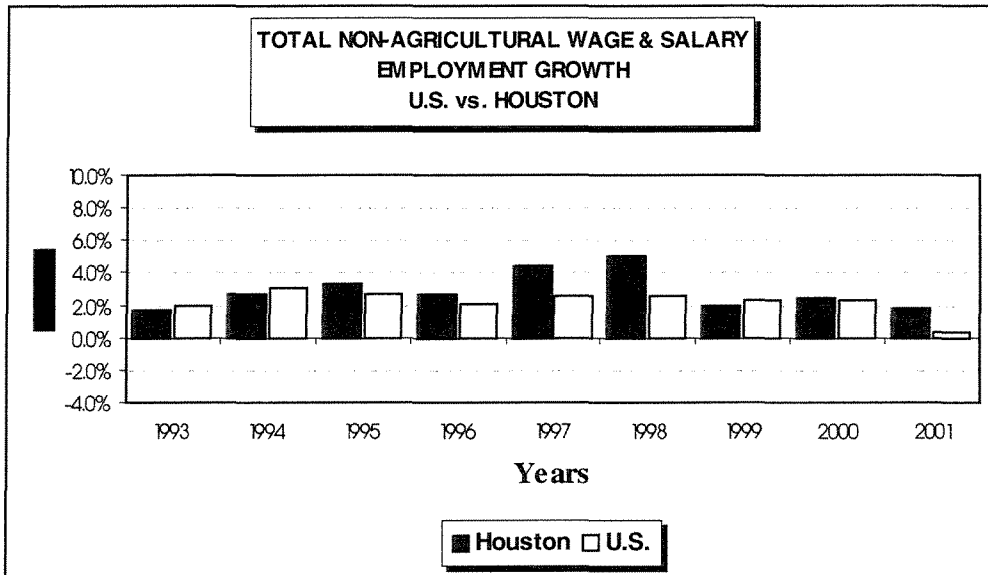
\* All numbers are for the Houston Metropolitan Statistical Area (PMSA).

Sources: University of Houston, Center for Public Policy, March 2002 and the Greater Houston Partnership

## EMPLOYMENT AND POPULATION

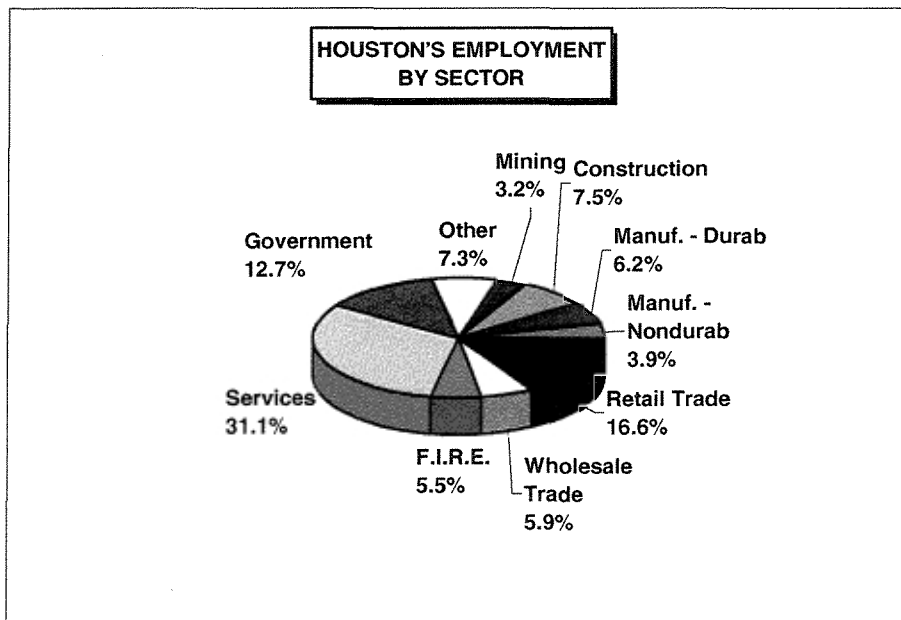
In 2001, Houston's population grew at 2.4 percent, and will continue to grow at an estimated annual average of 2.7 percent during the next 5 years. Employment figures remain strong, with total non-agricultural employment growth of 2.4 percent, which will continue to grow at an average of 3.0 percent over the next five years.

FIGURE 1



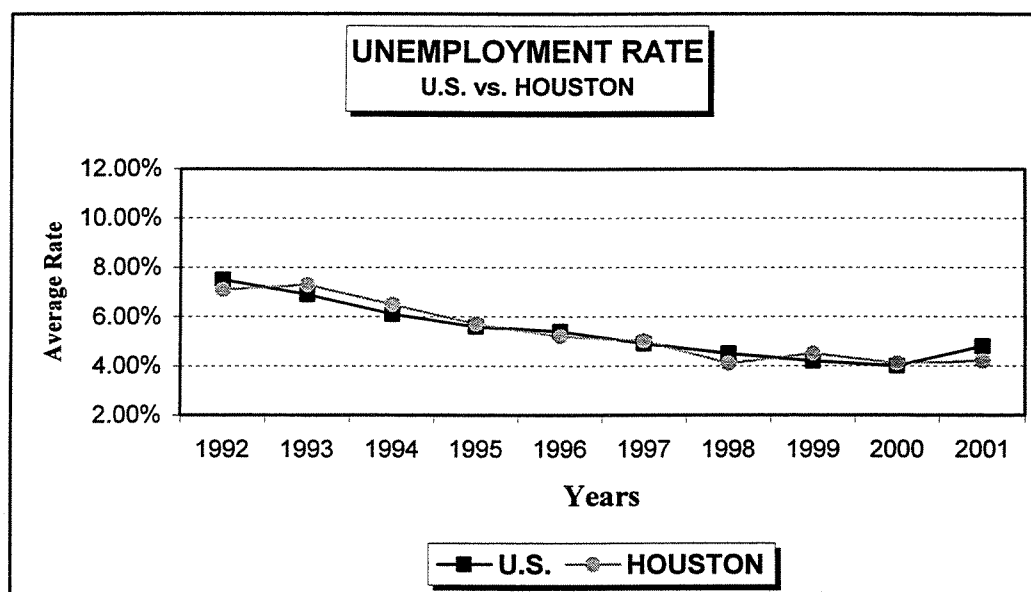
From January 1988 to January 2002, the historically dominant sectors of Houston's economy, mining, manufacturing, and construction, showed growth but were largely outpaced by the services sector which grew by more than 30 percent. According to the Greater Houston Partnership, in the services sector, educational and social services should experience the acceleration normal in periods of economic weakness, and engineering, accounting, research and management services can expect a slight downturn tied to energy and construction. It is estimated that the Services Producing sectors now make up over 78% of the total jobs in Houston. (See Figures 1 and 2).

FIGURE 2



According to the University of Houston Institute for Regional Forecasting, employment growth has steadily deteriorated since June 2001, and the Houston economy suffered from both the September 11<sup>th</sup> attacks as well as the Enron debacle. Jobs in the energy field have been disappearing, and the non-energy base has become essentially flat. The Unemployment rates for both Houston and the U.S. were higher than the previous year; however, the Houston job market seems to have fared much better than the nation, as Houston's unemployment rate for 2001 was 4.2% as compared to the national figure of 4.8%. Perhaps a contributory factor is that many businesses choose to locate in Houston because of its large workforce and low labor costs. Total employment is projected to increase by an average of 3.0% through 2006. (See Figure 3).

FIGURE 3



## ENERGY

The long years of worldwide historically low oil prices led Houston to improve efficiencies and diversify its economy tremendously. After 1982, the oil exploration and production industry made the necessary changes to profit in a newly efficient environment. As such, there have been many important technological advances, which have increased exploration efficiency more than threefold over the last 10 years and decreased finding costs by 40 percent in the past five years, according to the Greater Houston Partnership. Additionally, changes in the structure of the energy industry have resulted in oil and gas firms developing new ways to capitalize on skills, international contracts, and expertise.

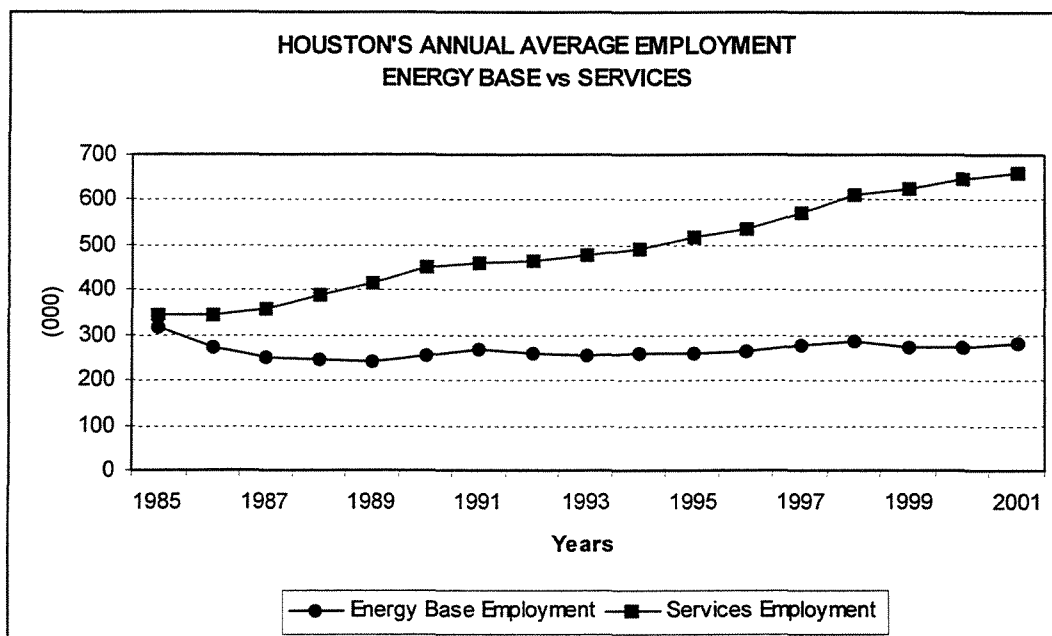
The recession that occurred after the eighties oil price decline, in fact, forced the local economy to move away from the heavy dependence on upstream energy (the exploration and production of oil and gas), oilfield equipment manufacturing, and pipeline transportation to shape its growth. This area, which once made up two thirds of the local economy, decreased to 35 percent in 1999.

According to the Greater Houston Partnership, Houston is the leading domestic and international center for virtually every segment of the oil and gas industry; exploration, production, transmission, marketing, service, supply, offshore drilling, and technology. Houston is home to 47 of the nation's 200 largest publicly traded oil and gas exploration and production firms. Further, all the major oil and gas companies have operations in Houston.

## SERVICES

In December 1981, Houston's base economy depended heavily (84 percent) on energy-related jobs. For 2001, only 49 percent of all jobs were energy related. Since the recession of the early eighties, there has been astounding growth in services employment (See Figure 4). According to Dr. M. Ray Perryman, of The Perryman Texas Newsletter, "the outlook is a positive one. The Houston area will see moderate growth over the next 25 years as the area continues to diversify away from its dependence on the oil and gas sector." He further adds, "the region has developed key strengths in significant areas, most notably in export-related fields, medical and medical research facilities, and business services."

FIGURE 4



Job growth in the services sector is expected to continue through 2004, according to the University of Houston Center for Public Policy's Institute for Regional Forecasting. Some of the largest employers in this sector are recognized worldwide. The Texas Medical Center is the largest in the nation, with 14 hospitals, two medical schools and four nursing schools, and employs approximately 51,273 persons. The Johnson Space Center, another entity in the service sector, employs approximately 3,300 civil service personnel, 64 percent of who hold science or engineering positions, and about 11,000 contractor personnel.

## TRADE

Houston's trade is primarily a function of the Port of Houston and the Houston Airport System (HAS). During 2000, an estimated 175 million tons of cargo were moved through the Port of Houston. The port's strategic location in the Gulf of Mexico and proximity to Latin American markets facilitates trade with European, Middle Eastern and Latin American countries. Houston's top trading partners (combined imports and exports by tonnage) are Mexico, Venezuela, Algeria, Iraq, and Norway. The Port of Houston is ranked first in the United States in foreign waterborne commerce, second in total tonnage, and eighth in the world. Air cargo at IAH totaled 575.9 million pounds in 2001.



According to the University of Houston Institute for Regional forecasting, retail trade employment increased 1.8 percent, while wholesale trade employment declined by 1.5 percent in 2001. In addition, Houston was the 7th largest metropolitan exporter in the nation in 1998, a period in which exports totaled over \$19.0 billion in goods. Between 1993 and 1998 the value of Houston's merchandise exports increased \$6.8 billion or 55.6 percent with exports to the NAFTA countries, our top market, accounting for 26.7 percent of Houston's exports. In particular, computer and industrial machinery accounted for 41.4 percent of Houston's total merchandise exports, followed by chemical and refined petroleum products.

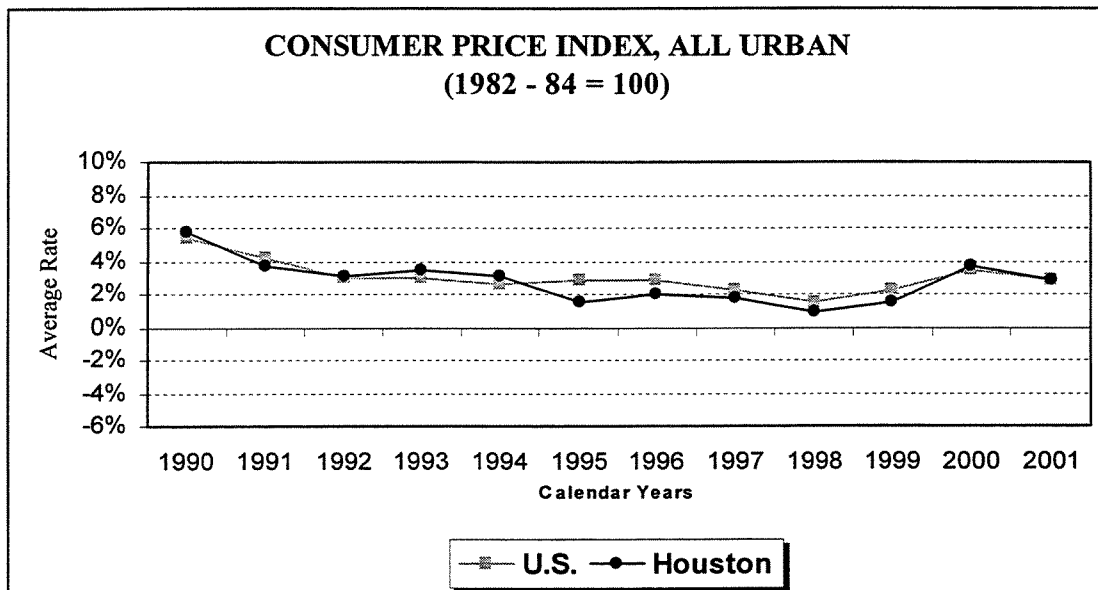
### PER CAPITA INCOME

Per capita income is an average calculated by the sum of all sources of income (wages, salaries, profits, interest, rents and transfer payments) divided by the population of a specific area. Per capita income is widely used to compare the standards of living in different regions. In Houston, personal income rose from \$32,386 in 1999 to \$34,477 in 2000; a 6.5 percent change, and is projected to increase an average of 4.8 percent annually for the next five years.

### PRICES

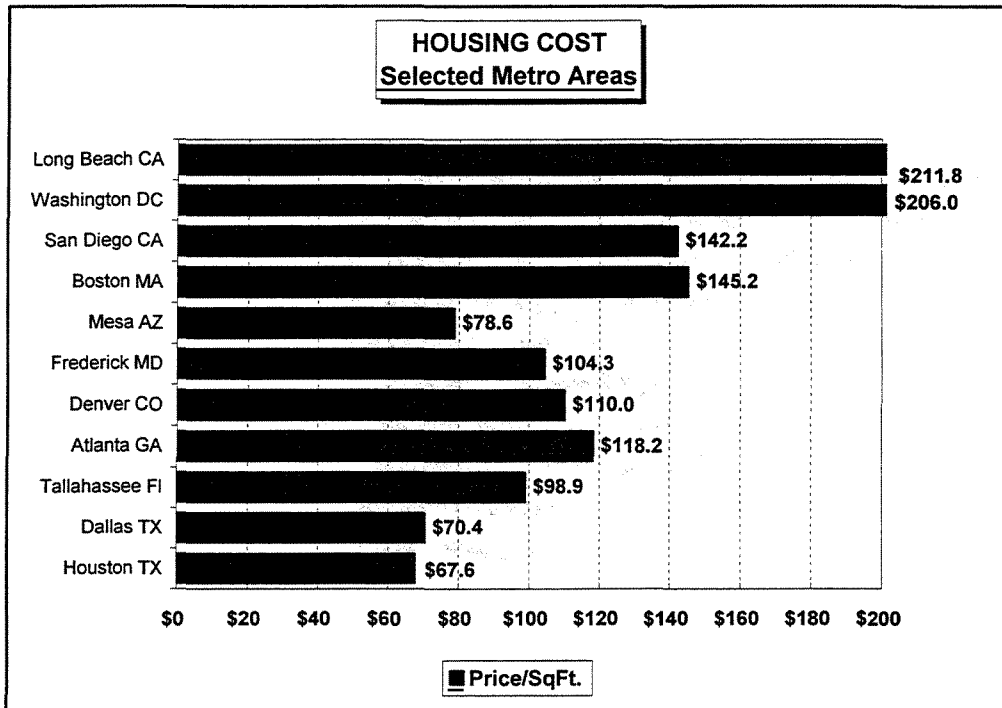
Inflation is measured by the Consumer Price Index (CPI). The CPI is the nation's best-known inflation indicator. It is a measure of the average change over time in the prices paid by urban consumers for a fixed market basket of consumer goods and services from A to Z. The CPI provides a way for consumers to compare what the market basket of goods and services costs this month with what the same market basket cost a month or a year ago. Compared to the nation's rate, Houstonians enjoyed extremely low inflation during the period from 1995 to 1999. In 2000, however, Houston's CPI for all urban consumers stood at 3.7 percent, increasing from 1.5 percent in 1999. In 2001, Houston's CPI was slightly down, at 2.8 percent, which was identical to that of the nation. (See Figure 5)

FIGURE 5



Houston's low inflation rate is the result of a strong petrochemical and energy industry, an abundance of land, and low labor cost. Consequently, commodity prices are low and housing costs continue to be among the lowest for major U.S. metropolitan areas. According to the Annual Coldwell Banker Home Price Comparison Index, in the fourth quarter of 2001, cost of new housing in Houston was \$67.59 per square feet, more than \$114 below that for Long Beach, CA (See Figure 6).

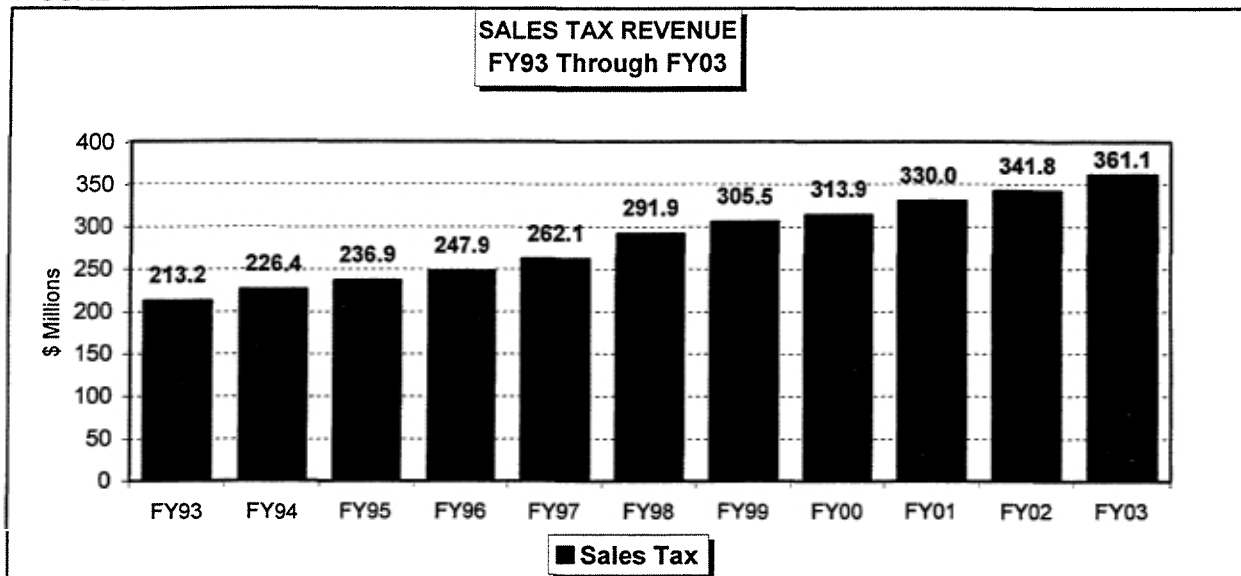
FIGURE 6



### **SALES TAX REVENUE**

Sales tax revenue is extremely susceptible to local economy changes. As employment improves, per capita income increases and spending confidence improves. This results in an increase in retail sales as more money is spent on goods and services. Consequently, the City's sales tax revenue also increases. In FY2002, Sales tax revenue accounts for 24.8 percent of the total General Fund revenues. For FY2003, Sales tax revenue accounts for 25.3 percent of the total General Fund revenues. The graph on the following page indicates that the City's sales tax revenue rose from \$305.5 million in FY1999 to \$333.0 million in FY2001, and is estimated at \$341.8 million in FY2002 and \$361.1 million in FY2003. The robust growth experienced in FY1998 was atypical.

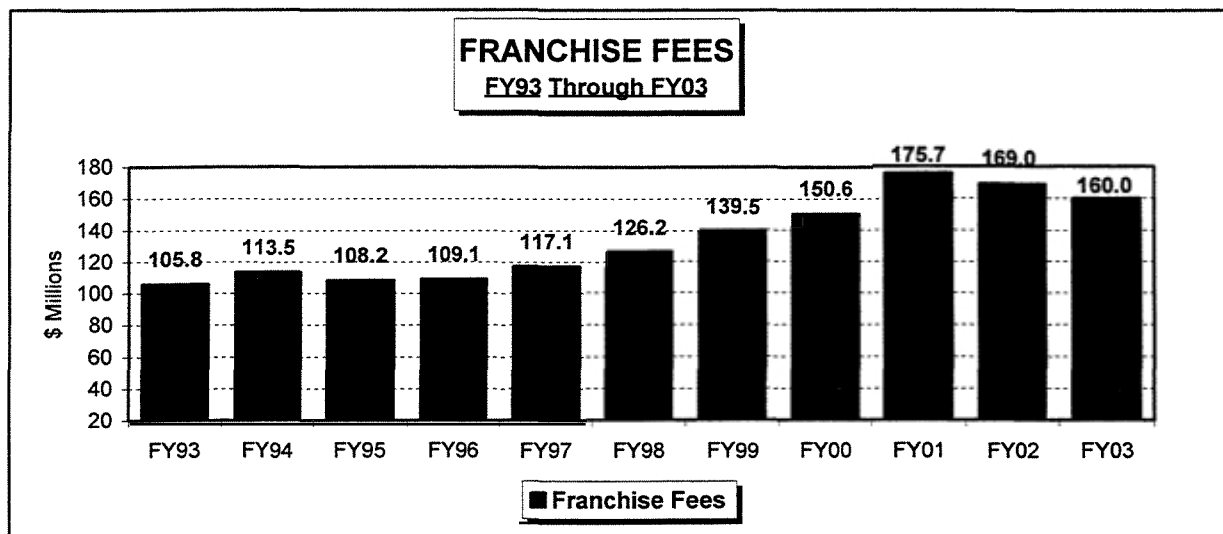
FIGURE 7



For FY2003, Franchise fees account for approximately 11.2 percent of total General Fund revenues. The City has contractual agreements with different utility companies such as electric, telephone, gas, etc. where the City charges the companies for the use of city streets and other public rights-of-way. In FY2001 franchise fees received accounted for 14 percent of the total General Fund revenues. It is estimated that franchise fees will be \$169.0 million in FY2002 and decrease to \$160.0 million in FY2003.

Although franchise fees from Cable TV and Fiber Optics have steadily increased from FY1996 to FY2001, they declined slightly in FY2002 and are expected to further decline in FY2003 due to factors such as increased competition from digital satellite service and other media. The following graph shows franchise fees revenues since FY1993.

FIGURE 8  
**FRANCHISE FEES**



**Sources:**

- DataBook, Houston. - University of Houston, Center for Public Policy.
- Houston Facts. - The Greater Houston Partnership Research Department.
- The Perryman Report.
- City of Houston, Aviation Department.
- City of Houston, Convention and Entertainment Facilities Department.
- The Port of Houston Authority.
- Houston Economics – University of Houston, Center for Public Policy.
- Facts and Figures about the Texas Medical Center - Texas Medical Center.
- Twentieth Anniversary 20 Most Frequently Asked Questions and Answers about Light Rail - METRO.
- Metropolitan Transit Authority
- The Official Guide to Houston - Greater Houston Convention and Visitors Bureau.
- Downtown Houston Association.
- Harris County – Houston Sports Authority.
- Houston Downtown Management District.

## LONG-TERM BUDGET GOALS

This budget continues the goals of the administration: neighborhood-oriented government, opportunities for youth, transportation and infrastructure, economic development, and continuous management improvement. These guiding principles form the basis for the development of the FY2003 budget, as well as long-term goals to guide future development.

### NEIGHBORHOOD-ORIENTED GOVERNMENT

Foster Neighborhood-Oriented Government through continued emphasis on public safety, development and maintenance of our communities and delivery of quality city services, with a focused effort to include citizens and promote a neighborhood approach making city government more readily accessible to address the needs of our citizens in the most efficient manner.

### OPPORTUNITIES FOR YOUTH

Incorporate where possible opportunities for youth through ongoing programs, encouraging volunteerism among city employees.

### TRANSPORTATION AND INFRASTRUCTURE

Take a leadership role in developing comprehensive, long-range cooperative plans to address local as well as regional transportation and infrastructure issues with lasting effects.

### ECONOMIC DEVELOPMENT

Work closely with local and foreign businesses to promote an environment that fosters economic growth on a broad spectrum of issues, utilizing specific programs including tax incentives, downtown revitalization, inner-city redevelopment joint ventures, housing development, and marketing both nationally and internationally.

### CONTINUOUS MANAGEMENT IMPROVEMENT

Continued management improvements through performance studies, creation and update of written policies and operation manuals, enhanced monthly financial reporting, and studies on increasing revenues, analysis of compensation infrastructure, and increased efforts to obtain grant funding and operational efficiency.

## FY03 PRIORITIES

Consistent with these guiding principles, the following budget priorities were addressed in the development of the FY2003 budget:

No tax increase: Adopted an operating budget that does not increase the overall tax rate from 64.5 cent per \$100 valuation.

Conservative Revenue Estimates: Continue to use outside experts to assist in this area.

Complete METRO Funding Swap: Complete replacing METRO street funding in the Operating Budget with City funding, maintaining a constant level of street repair.

Fire Department Staffing: Adopted a budget that contains sufficient overtime to allow the four-on-a-truck staffing.

Fire Meet and Confer Agreement: continue to seek an agreement with the HFD bargaining unit.

Reduce Civilian Staff While Avoiding Layoffs: Prioritize available funds to avoid layoffs.

Civilian Employee Compensation: Along with the challenge of functioning with a smaller workforce, comes the challenge of appropriate compensation.

Minimize Service Reduction: Unless the projection on the tax base (tax revenue is by far our largest source of income) prepared by the Harris County Appraisal District, is substantially revised upward, the FY03 budget will not sustain the current level of city services. Every effort will be made to minimize service reduction while maintaining a balance between revenues and expenditures.

Expand Super Neighborhood Concept: Create super neighborhood councils and study and implement their action plans.

Management Improvement: Expand the 3-1-1 database to provide a continual look at service statistics for our larger operating departments.

Performance Budgeting: Enhance performance measures in FY03.

Use of Technology: Recommend that the FY03 budget reflect the existing organizational reality that the Information Technology Department is independent of the Finance and Administration Department.

Capital Project Management: FY03 recommendations will include coordination with district Council Members to insure that the elected official closest to the district has a leading role in project determination and scheduling.

Debt Restructuring and Rating: Continue the aggressive program of utilizing state-of-the-art financial techniques to minimize our debt service.

No Water and Sewer Rate Increase: Recommend a balanced budget that does not include an increase in water and sewer rates.

Policy for Excess Water and Sewer Revenue: FY03 budget will contain a recommendation related to future use of surplus water and sewer revenue that is currently used to fund our drainage program, our required National Pollution Discharge Elimination System activities, and (if available) other items such as the FY02 overtime that allows additional firefighter staffing.

Expand Drainage Program: Recommend expanding the existing drainage program.

Facility Expansion: New facilities are needed to propel Houston to its world-class destiny.